

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 PA-01 PRS-01 IO-13 H-01

L-03 AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-07

NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /105 W

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TO SECSTATE WASHDC PRIORITY 5829

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 6/30/79

TAGS: EAID, EFIN

SUBJECT: PROPOSED APPOINTMENT OF SPECIAL REPRESENTATIVES

REF: (A) MANILA 476, (B) MANILA 544, (C) MANILA 940

1. REFTELS A AND B DESCRIBE ADB PRESIDENT'S PROPOSAL FOR BOARD OF DIRECTORS TO AUTHORIZE APPOINTMENT OF SPECIAL REPRESENTATIVES (SRS) TO BE ATTACHED TO OFFICES OF CERTAIN DIRECTORS DURING PERIOD JUNE 1977 TO MAY 1979, AND REF A ALSO CONTAINS USADB'S INITIAL COMMENTS ON PROPOSAL. THIS MESSAGE ATTEMPTS TO ASSESS SITUATION TO ASSIST IN FORMULATING U.S. POSITION.

2. IN USADB VIEW PROPOSAL WAS ILL-ADVISED, AND IT CERTAINLY HAS OPENED A PANDORA'S BOX. REGIONAL GROUP CURRENTLY REPRESENTED ON BOARD OF DIRECTORS BY LAOS AND SRI LANKA HAS PROPOSED TO PRESIDENT THAT CRITERIA IN ORIGINAL PROPOSAL BE AMENDED IN RESPECT OF REGIONAL (REPEAT REGIONAL)
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MEMBER COUNTRIES SO THAT SRS COULD BE APPOINTED IF REGIONAL GROUP REPRESENTS FOUR OR MORE COUNTRIES. (VOTING POWER OF MORE THAN SEVEN PERCENT WOULD BE REQUIRED ONLY OF NON-REGIONAL GROUPS.) THEY ASSERT THAT THEIR PROPOSAL WOULD MAINTAIN PRINCIPLE OUTLINED IN SUBSECTION (II) OF ARTICLE 30 (1) OF BANK'S CHARTER RE PAYING SPECIAL REGARD TO REPRESENTATION OF SMALLER

LESS DEVELOPED MEMBER COUNTRIES. ACCORDING TO ABOVE TWO BOARD MEMBERS, THEIR VOTING GROUP DURING 1977/79 WILL CONSIST OF AFGHANISTAN, CAMBODIA, LAO PEOPLES DEMOCRATIC REPUBLIC, SOCIALIST REPUBLIC OF VIETNAM AND SRI LANKA (AND POSSIBLY REPUBLIC OF MALDIVES IF ADMITTED AS MEMBER PRIOR TO ELECTION OF DIRECTORS ON APRIL 22, 1977). UNDER THIS ARRANGEMENT, THERE WOULD BE THREE SRS FOR REGIONAL AND TWO FOR NON-REGIONAL MEMBER GROUPS. PRESIDENT HAS CIRCULATED THIS PROPOSAL TO BOARD OF DIRECTORS WITHOUT COMMENT.

3. JAPANESE DIRECTOR SAYS HE HAS BEEN URGED BY ADB PRESIDENT TO OBTAIN SUPPORT OF HIS GOVERNMENT OF PROPOSAL. WHILE JAPAN WOULD PROBABLY PREFER TO SIT ON FINCE AS IT HAS OFTEN DONE IN PAST, USADB BELIEVES JAPAN WILL END UP WITH LUKEWARM SUPPORT (BECAUSE NEW PRESIDENT HAS PUT HIMSELF ON LINE FOR PROPOSAL) WITH PERHAPS STATEMENT OPPOSING BOARD EXPANSION PER SE. U.S. AND JAPANESE DIRECTORS TALKED TO PRESIDENT TO SEE IF PROPOSAL COULD BE ABORTED, BUT PRESIDENT FEELS THAT PRESSURES ARE TOO GREAT. FYI: ADB PRESIDENT'S DECISION TO SUPPORT PROPOSAL WAS UNDOUBTEDLY RELATED TO NEED FOR COOPERATION FROM GERMANY, CANADA AND U.K. ON BANK'S 1977 CONCESSIONAL LOAN FUNDING PROBLEM. END FYI.

4. IT APPEARS LIKELY THAT BORROWING COUNTRIES WITH POSSIBLE EXCEPTION OF KOREA WILL SUPPORT PROPOSAL. AUSTRALIAN DIRECTOR IS PERSONALLY OPPOSED BUT HAS BEEN UNSUCCESSFUL IN OBTAINING SUPPORT. THERE IS POSSI-
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BILITY THAT INDIA MAY OPPOSE. FRENCH GROUP WOULD LIKE TO OPPOSE BUT WILL PROBABLY TAKE NO POSITION.

5. USADB ASSESSMENT IS THAT PROPOSAL CANNOT BE DEFEATED, BUT THERE IS POSSIBILITY THAT THERE MIGHT BE SUFFICIENT SUPPORT FOR REDUCTION IN PROPOSED SALARY FOR SRS. GERMANY IS NOT (REPEAT NOT) PREPARED TO ADOPT ADVISOR STATUS (WHICH PRESENT DANISH REPRESENTATIVE OCCUPIES AT HIS GOVERNMENT'S EXPENSE) AS ACCEPTABLE SOLUTION TO ITS PROBLEM. INTENT IS THAT PRESENT GERMAN ALTERNATE DIRECTOR WOULD STAY ON AS SR WHEN BOARD SHUFFLE TAKES PLACE THIS YEAR, WHICH MAKES SALARY ISSUE WOMEWHAT DELICATE.

6. USADB CONCLUSION IS THAT UNFORTUNATELY ISSUE OF SRS CANNOT BE JUDGED SOLELY ON ITS OWN MERITS. THERE IS ONE REDEEMING FEATURE, NAMELY THAT SR ARRANGEMENT IS FAR BETTER THAN BOARD EXPANSION. AS RESULT, CANADA MAY HAVE DIFFICULT TIME IN JUSTIFYING LATTER IN 1979.

7. FYI: TO PREVENT PROLIFERATION, BANK LAWYERS ARE
CONSIDERING FORMULATION OF ALTERNATIVE PROPOSAL THAT
WOULD LIMIT ELIGIBILITY TO FIVE-MEMBER GROUPS, WITH
SPECIAL ONE-TIME EXCEPTION FOR GERMANY.
SULLIVAN

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